Justice Official Refused to Sign ITT Agreement

By Sanford J. Ungar
Washington Post Staff Writer

The Justice Department attorney who had jurisdiction over two of three antitrust cases against the International Telephone and Telegraph Corp. refused to sign the agreements settling them last year, apparently because he disapproved of the compromises made by the government.

Charles D. Mahaffie Jr., chief of the Trial Section in the Justice Department's Antitrust Division, acknowledged yesterday that he had "supervisory responsibility" for the antitrust suits that sought to force ITT to divest the Canteen Corp. and the Hartford Fire Insurance Co.

Contrary to custom, however, his name is missing from the consent decrees filed in federal court to settle both those cases.

Mahaffie refused to comment on why his signature did not accompany those of former Assistant Attorney General Richard W. McLaren and other Justice Department officials. "I'm just not going to discuss it," he said.

But a source in the Antitrust Division said, "there's only one reason a section chief doesn't sign a decree—because he doesn't agree with it."

The quality of the government's antitrust settlements, and the views of government lawyers and economists about them, have become central issues in continuing hearings by the Senate Judiciary Committee in connection with the nomination of Richard G. Kleindienst to be Attorney General.

The committee, which resumes the hearings today with former Attorney Genreal John N. Mitchell as the first witness, is investigating whether there was any link between the antitrust settlements and a simultaneous ITT "guarantee" of $400,000 to subsidize the Republican National Convention.

Mitchell is expected to face tough questioning by Democratic senators about the antitrust settlements, the convention contribution and any conversations he may have had with ITT lobbyist Dita Beard.

Because his former law firm did business with an ITT subsidiary, Mitchell disqualified himself from the antitrust cases.

But a memorandum by Mrs. Beard, recently published by syndicated columnist Jack Anderson, asserted that he played a role in the cases as well as the convention subsidy.

McLaren, now a federal judge in Chicago, has testified during the Senate hearings that although he originally hoped to fight the ITT cases to the Supreme Court, he felt the settlement was an "excellent" one for the government.

The settlement included divestiture of $1 billion worth of assets and a ban on certain future ITT acquisitions and reciprocal buying arrangements, but permitted the conglomerate to keep the Hartford firm.

McLaren says it was arrived at — with the full support of a negotiating team from the Antitrust Division — after ITT's claim of "financial hardship" was evaluated by an independent financial analyst.

But the absence of Mahaffie's name on the consent decrees seemed to lend weight to the argument that there was substantial dissent from McLaren's decision within his division.

Mahaffie was responsible for the Canteen case for about two years while he was in the General Litigation Division of the Antitrust Division.

He took over the Hartford case, one of the most ambitious ever filed by the Justice Department, in April 1970, when he became head of the Trial Section, where it was handled.

One former colleague of Mahaffie recalled last night that he was a vigorous advocate of a tough antitrust policy and had also dissented when the Justice Department decided not to press a suit against the merger of two steel companies.

In contrast to the Hartford case, where Mahaffie's signature would have been expected but was absent, the consent decrees in the Canteen case and another involving ITT's acquisition of the Grinnell Corp. included the names of the appropriate section chiefs in the Antitrust Division.

There were these other developments in the ITT controversy:

- Paul W. McCracken, former chairman of President Nixon's Council of Economic Advisers, revealed that ITT president Harold S. Geneen visited him last year "to discuss his problem" with the government antitrust cases. But McCracken insisted there was "nothing untoward" about Geneen's approach and said no special favors were sought.
- ITT issued a statement last night, saying that Geneen consulted with many government officials, including Mitchell, about antitrust law. Geneen's visits were protected by the "constitutional rights of businessmen," said the statement.
- A committee staff member flew back to Washington from Denver last night after receiving the medical reports of two heart specialists recruited to examine Mrs. Beard, who remains a patient in the Rocky Mountain Osteopathic Hospi-

tal.

The reports recommend that members of the committee question her in her hospital room sometime this week. Committee Chairman James O. Eastland (D-Miss.) said yesterday, however, that "I don't want to go out there."

It was revealed that the New York investment banking firm in which White House aide Peter M. Flanigan was once a partner had received a $600,000 fee for helping plan ITT's merger with Grinnell.

McLaren turned to Flanigan to recruit Richard J. Ramsden, the investment banker on whose recommendations the eventual ITT settlement was based.

For the Record . . .

PERSONAL AND CONFIDENTIAL

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Washington Office

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To: W. R. Merriam Date: June 25, 1971

From: D. D. Beard

Subject: San Diego Convention

I just had a long talk with EJG. I'm so sorry that we got that call from the White House. I thought you and I had agreed very thoroughly that under no circumstances would anyone in this office discuss with anyone our participation in the Convention, including me. Other than permitting John Mitchell, Ed Reinecke, Bob Haldeman and Nixon (besides Wilson, of course) no one has known from whom that 400 thousand committment had come. You can't imagine how many queries I've had from "friends" about this situation and I have in each and every case denied knowledge of any kind. It would be wise for all of us here to continue to do that, regardless of from whom any questions come; White House or whoever. John Mitchell has certainly kept it on the higher level only, we should be able to do the same.

I was afraid the discussion about the three hundred/four hundred thousand committment would come up soon. If you remember, I suggested that we all stay out of that, other than the fact that I told you I had heard Hal up the original amount.

Now I understand from Ned that both he and you are upset about the decision to make it four hundred in services. Believe me, this is not what Hal said. Just after I talked with Ned, Wilson called me, to report on his meeting with Hal. Hal at no time told Wilson that our donation would be in services ONLY. In fact, quite the contrary. There would be very little cash involved, but certainly some. I am convinced, because of several conversations with Louie re Mitchell, that our noble committment has gone a long way toward our negotiations on the mergers eventually coming out as Hal wants them. Certainly the President has told Mitchell to see that things are worked out fairly. It is still only McLaren's mickey-mouse we are suffering.

We all know Hal and his big mouth! But this is one time he cannot tell you and Ned one thing and Wilson (and me) another!

I hope, dear Bill, that all of this can be reconciled -- between Hal and Wilson -- if all of us in this office remain totally ignorant of any committment ITT has made to anyone. If it gets too much publicity, you can believe our negotiations with Justice will wind up shot down. Mitchell is definitely helping us, but cannot let it be known. Please destroy this, huh?

Reproduced above is the memorandum from ITT lobbyist Dita Beard to W. R. Merriam, head of ITT's Washington office, which set off the Senate Judiciary Committee hearings after its existence was revealed by columnist Jack Anderson in The Washington Post.